

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Davison Richfield Senior Citizens Authority	County Genesee
Audit Date 6/30/05	Opinion Date 8/11/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

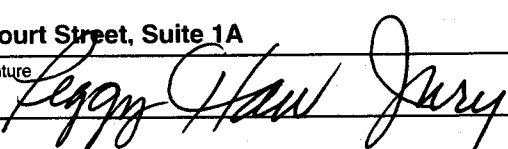
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Plante & Moran, PLLC			
Street Address 111 East Court Street, Suite 1A		City Flint	State MI
Accountant Signature 		ZIP 48502	Date 10-14-05

Annual Financial Report

**Davison Richfield Senior Citizens Authority
Davison, Michigan**

June 30, 2005

with Independent Auditors' Report

**Davison Richfield Senior Citizens Authority
Annual Financial Report
For the Fiscal Year Ended June 30, 2005**

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Introductory Section

Davison Richfield Senior Citizens Authority
Davison, Michigan
List of Appointed Officials

Gary Hale

Chairperson

Jerry Richards

Vice Chairperson

Joyce Schneider

Secretary

Karen Miller

Treasurer

Margaret LittleJohn

Gerry Masters

Norma Vohwinkle

Financial Section

Independent Auditors' Report

Davison Richfield Senior Citizens Board
Davison Richfield Senior Citizens Authority
Davison, Michigan

We have audited the financial statements of the governmental activities of the Davison Richfield Senior Citizens Authority, Davison, Michigan (Authority) as of June 30, 2005, and for the year then ended, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities of the Davison Richfield Senior Citizens Authority, Davison, Michigan at June 30, 2005, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 - 5 and the information in the required supplementary information section on page 14 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Plante & Moran, PLLC
Certified Public Accountants
Flint, Michigan

August 11, 2005

Management's Discussion and Analysis

Davison Senior Citizens Authority Management's Discussion and Analysis

As management of Davison Senior Citizen's Authority (Authority), we offer readers of Davison Senior Citizen's Authority's financial statements this narrative overview and analysis of the financial activities of the Davison Senior Citizen's Authority.

The basic financial statements for the Davison Senior Citizen's Authority are comprised of the governmental fund balance sheet/statement of net assets, governmental fund statement of revenues, expenditures, and changes in fund balances/statement of activities and notes to the financial statements.

The statement of net assets presents the information of the governmental fund for both the assets and liabilities, with the difference between the two reported as net assets.

The statement of activities presents information showing how the governmental fund's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the governmental fund and government-wide financial statements.

Financial Highlights

The government-wide financial analysis focuses on the Statement of Net Assets and the Statement of Activities. The total assets of the Authority are \$1,380,234 of which \$1,314,739 represents fixed assets net of accumulated depreciation. The liabilities are \$27,451, which represents amounts due to Davison Township of \$24,238 and \$3,213 of amounts due to vendors and employees, leaving current net assets of \$1,352,783. The restricted net assets are restricted for memorial (\$4,684), the Euchre Club (\$880), and the Travel Fund (\$32,480).

Net assets invested in capital assets amount to \$1,314,739. During the fiscal year, the original Senior Center was sold to a third party. This property was constructed with a federal grant and therefore, proceeds from the sale were returned to the granting agency of the City of Davison. The net carrying value of the property sold was \$154,553. This amount is recorded as a loss in the Statement of Activities under the adjustment column.

Net assets decreased \$23,589 for the Authority as a result of \$419,611 in Senior Center expenses and losses which were offset by local contributions and charges for services of \$391,051 and general revenues of \$4,971.

The Authority adopted and did not amend their original budget. Actual revenues (\$250,853) exceeded actual expenditures (\$224,313) by \$26,540. No operating fund balance exists for the Authority as the units of government annually cover the cost of operations. The Authority does have net assets that are restricted for the following purposes: non-operating purposes of \$4,684 received from memorial contributions, restricted for Euchre Club of \$880 and restricted for trips of \$32,480.

Government-wide Financial Analysis

Davison Richfield Senior Citizens Authority's Net Assets

Governmental Activities

	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 65,495	\$ 34,888
Capital assets	<u>1,314,739</u>	<u>1,364,868</u>
Total assets	<u>1,380,234</u>	<u>1,399,756</u>
Liabilities	<u>27,451</u>	<u>23,384</u>
Net assets:		
Invested in capital assets	1,314,739	1,364,868
Restricted for memorials	4,684	2,342
Restricted for trips	32,480	8,578
Restricted for Euchre Club	<u>880</u>	<u>584</u>
Total net assets	<u>\$1,352,783</u>	<u>\$1,376,372</u>

Davison Richfield Senior Citizens Authority's Capital Assets - Net of Depreciation

Governmental Activities

	<u>2005</u>	<u>2004</u>
Land	\$ 115,437	\$ 153,237
Construction in progress	-	14,597
Land improvements	331,254	181,108
Building	838,365	979,776
Furniture and fixtures	<u>29,683</u>	<u>36,150</u>
Total	<u>\$1,314,739</u>	<u>\$1,364,868</u>

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$1,352,783 at the close of the most recent fiscal year.

Current and other assets increase \$30,607 due to higher cash balances in the trip-bank account at June 30, 2005.

By far the largest portion of the Authority's net assets (97%) reflects its investment in capital assets.

Capital asset activity, in fiscal year 2005, included several additions: parking lot, PA system, and computer equipment. The old senior center was sold as well.

**Davison Richfield Senior Citizens Authority's
Changes in Net Assets**

Governmental Activities

	<u>2005</u>	<u>2004</u>
Revenues		
Program revenues:		
Intergovernmental local contributions	\$ 244,239	\$ 104,683
Charges for services	146,812	55,191
General revenues:		
Miscellaneous income	4,971	6,699
	<hr/>	<hr/>
Total revenues	396,022	166,573
	<hr/>	<hr/>
Expenses and losses:		
Senior Center	419,611	169,164
	<hr/>	<hr/>
Total expenses	419,611	169,164
	<hr/>	<hr/>
Increase (decrease) in net assets	(23,589)	(2,591)
Net assets beginning of the year	1,376,372	1,378,963
	<hr/>	<hr/>
Net assets - end of the year	<u>\$1,352,783</u>	<u>\$1,376,372</u>

Intergovernmental local contributions increased \$139,556 from prior year mainly due to revenue being recognized for a parking lot contributed to the Authority by Davison Township. The lot was funded with a CDBG grant through the Township.

Charges for services increased \$91,621 from prior year due to trip revenue from the travel program.

Senior Center expenses increased due to more travel activity and a \$154,553 loss on the sale of the old center. The City of Davison was holding the deed to the property and handled the sale. The loss on the Authority's statements (\$154,335) represents the undepreciated portion of the asset at the time of disposal.

Basic Financial Statements

Davison Richfield Senior Citizens Authority
Statement of Net Assets and
Governmental Fund Balance Sheet
General Fund
June 30, 2005

	<u>General Fund</u>	<u>Adjustments (Note II A)</u>	<u>Statement of Net Assets</u>
Assets			
Cash	\$ 43,698	\$ -	\$ 43,698
Due from other governments	19,247	-	19,247
Prepaid insurance	2,550	-	2,550
Capital assets, net	-	1,314,739	1,314,739
Total assets	<u>\$ 65,495</u>	<u>1,314,739</u>	<u>1,380,234</u>
Liabilities			
Accounts payable	\$ 1,660	-	1,660
Accrued wages	1,553	-	1,553
Due to other governments	24,238	-	24,238
Total liabilities	<u>27,451</u>	<u>-</u>	<u>27,451</u>
Fund Balance/Net Assets			
Fund balance - reserved for trips	32,480	(32,480)	-
Fund balance - reserved for Euchre Club	880	(880)	-
Fund balance - designated for memorials	4,684	(4,684)	-
Total fund balances	<u>38,044</u>	<u>(38,044)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 65,495</u>		
Net assets:			
Invested in capital assets		1,314,739	1,314,739
Restricted for memorials		4,684	4,684
Restricted for trips		32,480	32,480
Restricted for euchre club		880	880
Total net assets		<u>\$ 1,352,783</u>	<u>\$ 1,352,783</u>

See notes to financial statements.

Davison Richfield Senior Citizens Authority
Statement of Activities and
Governmental Fund Revenues, Expenditures, and
Changes in Fund Balance
General Fund
Year Ended June 30, 2005

	<u>General Fund</u>	<u>Adjustment (Note II B)</u>	<u>Statement of Activities</u>
Expenditures/expenses:			
Senior center	\$ 224,313	\$ 40,745	\$ 265,058
Program revenues:			
Intergovernmental			
Local contributions - operating	99,070	-	99,070
Local contributions - capital	-	145,169	145,169
Charges for services	146,812	-	146,812
Total program revenues	245,882	145,169	391,051
Net program revenue (expenditures)			125,993
General revenues:			
Miscellaneous income	4,971	-	4,971
Special event - loss on sale of capital assets	-	(154,553)	(154,553)
Total general revenues and special events	4,971	(154,553)	(149,582)
Excess (deficiency) of revenues over expenditures/ change in net assets	26,540	(50,129)	(23,589)
Fund balance/net assets:			
Beginning of the year	11,504	1,364,868	1,376,372
End of the year	\$ 38,044	\$ 1,314,739	\$ 1,352,783

See notes to financial statements.

Notes to Basic Financial Statements

Davison Richfield Senior Citizens Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2005

I. Summary of significant accounting policies

The accounting policies of the Davison Richfield Senior Citizens Authority (Authority) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Davison Richfield Senior Citizens Authority.

A. Reporting entity

The Davison Richfield Senior Citizens Authority (Authority) was formed in September 1979, by an agreement between the City of Davison and Davison Township. Richfield Township entered the joint venture effective July 1, 1996. The purpose of the Authority is to operate a Senior Citizens Center to provide facilities for recreation and activities for senior citizens who live in the City of Davison, the Township of Davison, and the Township of Richfield.

The Authority is governed by a seven-member Board appointed by the governing bodies of the participating members. The agreement provides that the allocation will be 1/3 of the net expenses split equally between the three municipalities, with the exception of expenses on the old Center, which are charged to City of Davison and Davison Township. In addition, the Board of the Authority is required to submit an annual operating budget to the governing body of each municipality for approval. Any of the members may withdraw from the Authority by giving written notice one year prior to withdrawal. The withdrawing municipality shall convey its interest to the other participating municipality and shall be reimbursed for its share according to a mutual payment plan which will be consistent with allowable budget expenditures.

The City of Davison made a contribution of \$33,485, Davison Township contributed \$33,484, and Richfield Township made a contribution of \$32,101 for a total of \$99,070 for the year ended June 30, 2005.

The accompanying financial statements present the government and its component units, legally separate entities for which the Authority is considered to be financially accountable. The Authority did not have any component units at June 30, 2005.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or units of government who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are

Davison Richfield Senior Citizens Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2005

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Authority does not have any proprietary or fiduciary funds.

Governmental fund financial statements (i.e. the balance sheet and governmental statement of revenues, expenditures, and changes in fund balance) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on its balance sheet. Its reported fund balance (net current assets) is considered a measure of "available spendable resources." Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Municipal billings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

General Fund – It is used to account for all financial resources except those required to be accounted for in another fund.

D. Assets, liabilities, and net assets or equity

1. Cash

The Authority's cash includes cash on hand and demand deposits.

2. Capital assets

Capital assets, which include land, buildings, and equipment, are reported only in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

All real property or infrastructure purchased by the Authority must be titled in the name of the Authority. Therefore, any real property or infrastructure purchased by the Authority has been included in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Davison Richfield Senior Citizens Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2005

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

2. Capital assets – (continued)

Furniture and fixtures are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	39
Building	39
Furniture and fixtures	7

3. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

4. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Fund Balance Sheet. The details of this difference at June 30, 2005 are as follows:

Capital assets, net of accumulated depreciation	<u>\$1,314,739</u>
Net adjustment to increase <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i>	<u>\$1,314,739</u>

Davison Richfield Senior Citizens Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2005

II. Reconciliation of government-wide and fund financial statements – (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures at the time of purchase. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The statement of activities also recognizes donated capital assets as revenue. The fund statement does not. The details of this difference for the year ended June 30, 2005 are as follows:

Donated capital assets	\$ 145,169
Loss on sale of capital assets	(154,553)
Depreciation expense	<u>(40,745)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ (50,129)</u></u>

III. Stewardship, compliance, and accountability

Budgetary information

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, a proposed operating budget is submitted to the Authority Board for the year commencing July 1. The operating budget, which is prepared on a basis consistent with accounting principles generally accepted in the United States of America, includes total proposed expenditures, and the means of financing them, for the General Fund.
2. After the Board reviews the proposed budget, it is then sent to the three municipalities for their approval. The budget is legally adopted on a fund basis after each municipality submits its approval to the Authority Board.
3. Any revisions that alter the total expenditures of the General Fund must first be approved by the Board and then by each municipality.
4. Budget appropriations lapse at year end.
5. Budgeted amounts are reported on the financial statements as originally adopted and as finally amended by the Authority Board.

Davison Richfield Senior Citizens Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2005

IV. Detailed notes on all funds

A. Deposits

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated Bank One for the deposit of it's funds. The investment policy adopted by the Board is in accordance with Public Act 196 of 1997 as listed above. The Authority's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority's deposits were not subject to custodial credit risk as the Authority's cash balance did not exceed the FDIC insurance limits. Since the deposits are fully insured, and are anticipated to be fully insured in the future, the Authority does not have a deposit policy for managing custodial risk

B. Capital assets

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land *	\$ 153,237	\$ -	\$ (37,800)	\$ 115,437
Construction in progress *	14,597	-	(14,597)	-
Total capital assets not being depreciated	167,834	-	(52,397)	115,437
Capital assets being depreciated:				
Land improvements *	201,807	155,321	-	357,128
Building *	1,214,619	-	(252,965)	961,654
Furniture and fixtures	108,658	4,445	-	113,103
Total capital assets being depreciated	1,525,084	159,766	(252,965)	1,431,885

Davison Richfield Senior Citizens Authority
Davison, Michigan
Notes to Basic Financial Statements
June 30, 2005

IV. Detailed notes on all funds – (continued)

B. Capital assets – (continued)

Primary Government– (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities: – (continued)				
Less accumulated depreciation for:				
Land improvements	(20,699)	(5,175)	-	(25,874)
Building	(234,843)	(24,658)	136,212	(123,289)
Furniture and fixtures	(72,508)	(10,912)	-	(83,420)
Total accumulated depreciation	(328,050)	(40,745)	136,212	(232,583)
Total capital assets, being depreciated, net	1,197,034	119,021	(116,753)	1,199,302
Governmental activities capital assets, net	<u>\$1,364,868</u>	<u>\$119,021</u>	<u>\$(169,150)</u>	<u>\$1,314,739</u>

* All land, land improvements, and building were funded through federal grant dollars which will require program income from a sale to be returned to the granting agency.

C. Deferred compensation plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits employees to defer a portion of their salary until future years. Participation in the plan is optional. The Authority makes no contributions. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Currently, the law allows trusts to be created for the plan assets, thereby, insulating the assets from the unit of government's general creditors. Therefore, the plan assets are not shown on the Authority's financial statements, as the Authority does not have any fiduciary or administrative responsibility for the plan.

V. Risk management

The Authority is exposed to various risks at loss related to property loss, torts, errors and omissions, and employee injuries. The Authority has purchased commercial insurance for coverage of all claims except full-time employee unemployment benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Authority pays unemployment claims on a reimbursement basis.

Required Supplementary Information

Davison Richfield Senior Citizens Authority
Schedules of Revenue, Expenditures, and Changes in
Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2005

	Budget		Actual	Over (Under) Budget
	Original	Final		
Revenues:				
Intergovernmental -				
local contributions	\$ 95,733	\$ 95,733	\$ 99,070	\$ 3,337
Charges for services	14,300	14,300	146,812	132,512
Miscellaneous income	3,000	3,000	4,971	1,971
Total revenues	113,033	113,033	250,853	137,820
Expenditures:				
Current:				
Director - salary	39,340	39,340	40,274	934
Part time secretary	18,768	18,768	19,205	437
Payroll taxes	4,445	4,445	4,660	215
Office and operating supplies	6,400	6,400	7,358	958
Janitor service	9,550	9,550	7,400	(2,150)
Telephone	2,700	2,700	2,947	247
Insurance	3,700	3,700	4,401	701
Sewer and water	2,100	2,100	2,104	4
Gas	4,210	4,210	4,031	(179)
Electricity	9,020	9,020	7,732	(1,288)
Auditing fees	1,850	1,850	2,350	500
Repair and maintenance	8,000	8,000	12,391	4,391
Copier maintenance and rental	1,500	1,500	2,080	580
Miscellaneous	300	300	1,315	1,015
Membership and conference	500	500	526	26
Transportation	150	150	141	(9)
Trips and travel	-	-	105,398	105,398
Capital outlay	500	500	-	(500)
Total expenditures	113,033	113,033	224,313	111,280
Excess of revenues over expenditures	-	-	26,540	26,540
Fund balance at beginning of year	11,504	11,504	11,504	-
Fund balance at end of year	\$ 11,504	\$ 11,504	38,044	\$ 26,540

See notes to financial statements.

September 20, 2005

Davison Richfield Senior Citizens Authority Board
Davison Richfield Senior Citizens Authority
Davison, Michigan

In planning and performing our audit of the financial statements of Davison Richfield Senior Citizen's Authority for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect Davison Richfield Senior Citizens Authority's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

Trip Account

In our review of the trip account we noted that the receipt and disbursement activity of the trip account was not accounted for on the Davison Richfield Senior Citizen Authority's (Authority) general ledger; nor was the trip activity budgeted for. We also noted that unlike the operational expense disbursements of the Authority, the checks issued on the trip account were not issued by Davison Township but issued and signed by the staff. To strengthen the internal controls over this account we suggest that the disbursements out of the trip account be handled consistently with the checks issued for operational expenses and that all receipts deposited into the trip account be recorded on the general ledger monthly along with other operating deposits. We also suggest that each trip be budgeted for and that the Authority's budget be amended for each new trip so that the final budget includes the budget for all trips taken during the year. All activity of the trip account should be recorded monthly on the general ledger and the trip bank account should be reconciled by the Township's staff and agreed to the general ledger. Once all trip activity is recorded budget to actual comparisons could then be reviewed by the board on a regular basis.

We, also, noted that the Trip account was closed and reopened during the year. The Board is required to approve such actions. We noted no such approval in the minutes.

Memorial Account

In the previous year we noted that the activity for the Memorial account should be recorded on the general ledger. For the current fiscal year the first two quarter's activity was recorded and then activity for the last two quarter's was not recorded. The activity for these two quarters was recorded through an audit adjustment.

We also noted the following reportable conditions that are not believed to material weaknesses:

Deposits

In our audit of the cash accounts, it was noted that the Authority only deposits money approximately once a month for all bank accounts except the main checking which is maintained by the Township. We recommend that cash be deposited at least once a week to better safe guard assets and allow the funds to earn as much interest as possible.

Other items to be considered by the Board:

Credit Card Usage Policy

We recommend that the Authority develop a credit card usage policy and present it to the Board for approval. Documentation of the approved policy should be retained at the Authority and available for reference.

Bank Statements and Activity

The Authority maintains all bank account statements at the Authority office. In order to answer questions regarding the bank statements the Township must access the statements from the Authority's office. We suggest that Davison Township consider retaining a copy of all the bank statements used to reconcile the Authority's accounts.

This report is intended solely for the information and use of Davison Richfield Senior Citizens Authority, Board and Management, the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Plante & Moran, PLLC
Flint Office